1 2	IN THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF MICHIGAN SOUTHERN DIVISION
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	BACHMAN SUNNY HILL FRUIT FARMS, INC.,
4	Petitioner,
5	vs. Case No. 1:20-cv-1117
6	Hon. Janet T. Neff PRODUCERS AGRICULTURE INSURANCE
7	COMPANY,
8	Respondent.
9	
10	MOTION TO DISMISS
11	HELD BEFORE THE HONORABLE JANET T. NEFF, U.S. DISTRICT JUDGE
12	Grand Rapids, Michigan, Thursday, July 29, 2021
13	APPEARANCES:
14	For the Petitioner: JOHN D. TALLMAN  John D. Tallman PLC
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23	REPORTED BY: MS. MELINDA DEXTER, CSR-4629, RMR, CRR Federal Official Court Reporter
24	402 Federal Bldg 110 Michigan St NW
25	Grand Rapids, MI 49503 (517) 604-1732

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Grand Rapids, Michigan
1
                Thursday, July 29, 2021
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                At 11:00 a.m.
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                THE CLERK: All rise, please. Court is in session.
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      You may be seated.
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                THE COURT: Good morning, everybody.
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                MR. TALLMAN: Morning.
                THE COURT: This is the date and time set for a
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      hearing on the Respondent's motion to dismiss the petition in
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      this case. And it is Case No. 1:20-cv-1117, Bachman Sunny
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      Hill Fruit Farms versus Producers Agriculture Insurance
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      Company.
                May I please have appearances and introductions.
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                MR. TALLMAN: John Tallman for the Petitioner.
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                THE COURT: Thank you.
                MS. PAGLIA: Good morning, Your Honor. Olivia Paglia
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      for Respondent.
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                THE COURT: Thank you.
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                Okay. Mr. Tallman, you're up. You have 15 minutes.
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      Let's hear what you have to say, and please do come to the
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      podium.
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                MR. TALLMAN: Yes, Your Honor. Would you --
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      Your Honor, would you like me to respond to the motion to
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      dismiss first, or --
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                THE COURT: You know, I've not been well this
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morning. It's Ms. Paglia who has to get started here.

Sorry, Ms. Paglia.

MS. PAGLIA: Good morning.

THE COURT: Good morning.

MS. PAGLIA: This is Producers' motion to dismiss. We are asking the Court to grant our motion. The issues in this case have been extensively briefed by both sides. I won't repeat everything in the brief. I'll go over a few key points and answer any questions that you may have.

The Federal Arbitration Act controls this case,

Your Honor. Judicial review is subject to the exclusive

jurisdiction under the FAA. Sorry. I wanted to make sure you
had enough time to write stuff down.

Because judicial review is subject to the exclusive jurisdiction under the FAA, judicial review is limited to the FFA and subject to those provisions. In this case, the petition fails to state a claim under the FAA and should be dismissed for that reason.

Furthermore, even if this Court were to find that there was a claim under the FAA, the three-month time limitation under Section 12 of the FAA applies and precludes the petition -- precludes the petition as untimely.

Federal case law, including the Sixth Circuit in Corey, has said that the failure to meet the statutory conditions of time under Section 12 forfeits the right of

judicial review of the arbitration award. So we ask for 1 dismissal with prejudice on those bases. 2 3 THE COURT: Correct me if I'm wrong, Ms. Paglia, but I really view this case as -- as a fairly simple construct. 4 First of all, that the -- the FAA is the controlling law 5 that's looked to. 6 7 MS. PAGLIA: Yes. I agree with that, Your Honor. THE COURT: And under the FAA, once an arbitration 8 has taken place and a ruling has been delivered by the 9 arbitrator, as has in this case, there are two specific 10 11 provisions that apply to two different ways of dealing with an arbitration award under § 12: 12 13 If a party, either party, wants to vacate or modify 14 or correct the award, in some way attack the award, then they 15 have three months to do that, to file. On the other hand, and 16 for reasons, obviously, I think -- I think the reasons are 17 probably pretty clear, but, on the other hand, if one of the

parties seeks to confirm the award, they're happy with the award -- "We got the award. We liked it, but we aren't in any hurry to confirm it" -- they have a year to do that, basically.

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So that's kind of -- it really seems to me that the case is that simple.

MS. PAGLIA: I agree with you, Your Honor.

THE COURT: You have -- you have specific statute

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sections that apply to specific provisions or actions that an
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      arbitration -- a party to an arbitration might take, and there
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      they are.
               MS. PAGLIA: Correct.
                THE COURT: And in this case, the Petitioner did not
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      comply because it didn't file within 30 -- er, within three
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      months. Fair enough?
               MS. PAGLIA: Fair enough.
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                THE COURT: Okay. Thank you.
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                MS. PAGLIA: Thank you, Your Honor.
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                THE COURT: Mr. Tallman.
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               MR. TALLMAN: Yes. Thank you, Your Honor. Would
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      you -- Your Honor, would you like me to address my motion to
      amend also?
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                THE COURT: Well, I think -- I think it was granted
      yesterday, wasn't it?
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               MR. TALLMAN: Leave to file the motion was granted.
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                THE CLERK: Leave to file the reply was granted.
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                THE COURT: Yeah. Oh, I'm sorry. That's right. We
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      were dealing with --
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                Well, you can talk about either one. If you want to
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      talk about leave to -- er, an amended petition, that's fine.
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                MR. TALLMAN: Okay. Thank you. Thank you,
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      Your Honor. This was an arbitration under the Common Crop
25
      Insurance Policy, Your Honor, the CCIP. Common Crop Insurance
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Policy is issued under statutes promulgated by USDA generally and FCIC specifically. The CCIP is a federal regulation that was adopted by the FCIC, the Federal Crop Insurance Corporation, Your Honor.

In order for the Respondent here to participate in the crop insurance program, they're required, as a matter of federal law, to agree to the terms of the CCIP, including § 20, including § 20(b)(3), and including § 20(c) of the CCIP.

Now, the reason I bring that up is that those sections of the CCIP provide a couple things:

§ 20 in general in an earlier part of it provides for nullification of the arbitration award if the arbitrator does not follow the rules. And here the rules prohibit the arbitrator from interpreting the -- well, the CCIP or any of the procedures of the Federal Crop Insurance Corporation, Your Honor.

And, here, our argument and the substance of our petition is that this arbitrator did not comply. He proceeded to interpret the CCIP, and he interpreted it incorrectly. And specifically what he did was to say that the LAM and the LASH, the Loss Adjustment Manual, and the -- what is the LASH? I've forgotten. I forget what the LASH is, but these are two manuals used for adjudicating claims. He said they were not part of the contract and not part of the insurance policy, and he's wrong.

After his decision -- and, you know, let me back up.

He was required to go to the FCIC and seek what's called -
and seek guidance on this if he had a question about

interpretation, and he did not do that. It's called an FAD, a

-- yeah, FAD. So he did not do that, Your Honor. He did not

seek that -- that -- that guidance from the FCIC. He did not

seek an FAD, and he made the wrong decision.

We know that because after the arbitration, we did go to the FCIC. We did seek an FAD. We received the FAD. The FAD said, "Yes, the LAM and the LASH are part of the Common Crop Insurance Policy." And, I mean, clearly the arbitrator got that wrong. Clearly he interpreted. Clearly under the terms of the CCIP, that was an improper interpretation — improper and incorrect interpretation of the Crop Insurance Policy.

Now, to go back to 20(b)(3) and 20(c), under those provisions of the Common Crop Insurance Policy, Your Honor, this federal regulation, we've got one year within which to seek nullification or to confirm, and both parties have one year, Your Honor, unlike the FAA.

So where does that leave us? This -- this argument that Respondent is making here in court was presented to FCIC, and FCIC responded, and I quoted some of these comments in the brief, Your Honor. But in general what FCIC said, in response to the argument made here in court by the Respondent, that

this is all controlled by FAA. You've only got three months to seek nullification under the CCIP but vacation under the -- under the FAA.

The Federal Crop Insurance Corporation said, "No.

That's not correct. You have a separate claim for

nullification under the CCIP. And we're aware of the FAA.

We're aware of it at the time that we adopted --" they're

referencing section 506(r) of the Act that provided for this.

And they say under -- I'm quoting here from page 10 of my brief, which quotes this, Your Honor.

...long-standing legal principle of statutory construction that states that later in time statutes preempt earlier enacted statutes.

So that's the FCIC's interpretation of this, Your Honor, and I respectfully submit that the FCIC is correct.

Now, to go on to my motion to amend, I am not conceding that we do not have a separate claim for nullification. I am not conceding that. I believe we do have a separate claim for nullification for the reasons that I've stated. And I believe under the terms of the CCIP we've got one year to bring that claim in, and we did. But in order to make moot this motion to dismiss, I sought to amend. And I

sought to amend under Rule 15 of the federal rules, Your Honor.

Under Rule 15, leave is to be freely granted when justice so requires. Rule 15 provides that in a situation like this, that the claim that I stated under the FAA, which is a claim that the arbitrator exceeded his powers, and you can't get there under the FAA without also incorporating the CCIP because -- you know, the arbitrator exceeded his powers because he did not comply with the CCIP. He did not follow the rules. He interpreted the insurance policy himself incorrectly.

So under Rule 15, this proposed amendment,

Your Honor, relates back to the time of filing. And under -we tried to find as much federal case law as we could,

Your Honor, regarding this issue in response to Defendant's

argument. The Defendant has argued that, "Oh, no, Mr. Tallman
is mistaken about this once again because we found a case from

Nebraska that says that in a situation like this, the FAA
section," and I think it's § 12, "that provides for three

months for seeking vacatur under the FAA, that's
jurisdictional," the Nebraska court said.

Well, there are a whole bunch of -- I can't say a whole bunch. I cited every federal case that I could find that says that's not true; that it's not jurisdictional. That limitation's period in the FAA is not jurisdictional.

And I think perhaps the best argument that it's not jurisdictional is that the Supreme Court has repeatedly ruled -- United States Supreme Court has repeatedly ruled that the FAA itself is not jurisdictional. It's an anomaly in federal statutes. It does not confer jurisdiction on the Court. You need an independent ground for jurisdiction in order to bring a claim under the FAA, Your Honor.

And so for that reason I think that *Karo* case from Nebraska is wrongly decided. Of course, it's not precedent for this Court. I mean, the Nebraska state court was interpreting federal law.

We've got several federal cases, including from

Judge Quist here that -- actually, Judge Quist's ruling was on

point with respect to this, that, yes, the parties can agree

to amend that FAA three-month limitation's period, and here we

did. I mean, the insurance company here, the Respondent, had

to agree in order to comply with federal law in order to issue

and offer this insurance policy to my client, Your Honor.

So, what's the other argument? Oh. The other argument that they make is that somehow they're saying that the CCIP, these two sections of the CCIP, 20(b)(3) and 20(c), are somehow consistent with the FAA three-month limitation period. Well, no, they aren't. I mean, one only has to read the CCIP, these two sentences from these two sections of the CCIP, to see that one year is provided for nullification or

for confirmation of an arbitration award, unlike the FAA that provides only three months for a vacation of an arbitration award.

So they're not consistent. There is no way that they can be somehow, you know, made to be consistent. They simply are not. They're in conflict with each other. And I respectfully suggest that the best way to -- to deal with this issue that's been raised by the Defendant is to recognize that, yes, we do have a separate claim for nullification under the CCIP. And even if we don't, you know, this amendment should be allowed to bring the claim within the FAA for the reasons I've said, Your Honor.

THE COURT: Anything further?

MR. TALLMAN: No.

THE COURT: Thank you.

MR. TALLMAN: Thank you.

THE COURT: Ms. Paglia, any rebuttal?

MS. PAGLIA: Yes, Your Honor. Just two quick points. I would reiterate, as in our briefing, we do not believe there is a separate claim for nullification under the CCIP. Everything is subject to the exclusive jurisdiction of the FAA, and we also believe that the Sixth Circuit case, Corey, is binding and shows — and that states that there is — the statutory precondition of timely service of notice forfeits the right to judicial review. So we believe that the motion

for leave to amend is futile on that basis.

THE COURT: Thank you, Ms. Paglia.

Well, let's deal with that first. I do believe that the Respondent's argument with regard to the amendment of -the proposed amendment to the petition is well taken. I think that -- it would essentially be futile because it really simply reiterates the argument that has already been made.

And to suggest that there is some additional way to undermine an arbitrator's agreement outside of the provisions of the FAA is simply not supported by any persuasive authority. I think that, again, if -- even if the amendment were allowed, the petition would still be susceptible of a successful motion to dismiss for failure to state a claim on account of the three-month period not having been observed under the FAA.

Now, getting back to the case itself as it initially presented itself. For background -- and these are facts taken from the petition filed by Bachman -- Bachman is an Ohio corporation, and the Respondent, Producers Agriculture

Insurance Company, is an Illinois corporation. And they had a policy of crop insurance for the 2017 growing season.

Now, we've heard this acronym CCIP, which stands for the Common Crop Insurance Policy, and that is codified at 757.8, and it provides for judicial review pursuant to paragraphs 20(b)(3) and 20(c) of the Act.

In 2017, Bachman suffered damage to its apple crop, which apparently the Respondent recognized and paid at least a portion of, which Bachman obviously determined was inadequate. So Bachman, as it properly should have, initiated arbitration proceedings as it was required to do under paragraph 20 of the CCIP.

The claim was arbitrated in February of 2020. In March of 2020, the arbitrator issued an award denying Bachman's claims in their entirety. After the award was issued, a request for a final agency determination was made to the Federal Crop Insurance Corporation.

Now, under § 12, which we've heard about here this morning, of the FAA, and that's 9 U.S.C. § 12, quote, "Notice of a motion to vacate, modify, or correct an award must be served upon the adverse party or his attorney within three months after the award is filed or delivered," unquote.

And that's what I spoke of originally with Ms. Paglia. No motion to do so, to vacate, modify, or correct, or in any way attack the validity of the arbitration award was made within three months, which would have been —the date for the cutoff there would have been June 20, 2020.

Then in November of 2020, Bachman initiated this case by filing a petition to nullify the arbitration award alleging that the arbitrator violated 7 C.F.R. 457.8 in making his own interpretations of the insurance policy rather than requesting

a policy interpretation from the FCIC.

In lieu of filing an answer, the Respondent, Pro Ag, filed this motion to dismiss, Bachman has filed an opposition, and Pro Ag filed a reply. As we've heard again this morning, in June of this year, 2021, Bachman filed a motion for leave to amend, seeking to add a claim to vacate the award under the FAA, and Pro Ag, in due course, filed a response in opposition. And we are here to determine the outcomes of those two matters: The motion by Producers to dismiss, and I've already ruled on the motion of Bachman to amend.

The threshold question, I think, and one that Mr. Tallman makes a valiant effort to avoid, really, is whether the FAA controls this action. And the Respondent, Pro Ag, makes its argument quite forcefully, I think, that the petition filed on behalf of Bachman doesn't state a claim under the FAA because the FAA provides the exclusive remedy for judicial review of arbitration awards issued pursuant to the CCIP, and the petition fails to plead a cause of action under the FAA.

They also argue that Bachman has misconstrued the holding in Farmers Mutual Hail Insurance Company of Iowa v.

Miller, and that case is at 366 F. Supp. 3d 974, a Western

District of Michigan case from 2018, in that the CCIP does not permit a separate cause of action apart from the FAA.

In written response, Bachman argued that the cases

cited by Pro Ag don't support its argument that § 20 of the CCIP must be negated. Specifically, Bachman argues that consistent with *Miller*, a motion to nullify under 457.8 in § 20(c) constitutes grounds for relief separate and distinct from a motion to vacate under the FAA.

Pro Ag responded to that arguing that the idea that there is a separate and independent cause of action for nullification is simply not accurate. The Miller case merely recognizes that the FCIC alone can nullify an arbitration award if the FCIC determines that the arbitrator improperly made a policy or procedure interpretation emphasizing that the Miller case does not provide authority for Bachman to seek nullification from this Court. And I think that -- I think that's a little bit where Bachman gets off the rails a bit.

As Mr. Tallman has pointed out, and as I have found out in dealing with these cases over the years, not that there have been very many of them, but the procedures and the rules by which these arbitration decisions and these actions under the CCIP can be pursued are very specific and circumscribed.

And what the Respondent points out here and what I think is correct, is that the *Miller* case relied on by the Petitioner, Bachman, simply doesn't provide authority to seek nullification here in the United States District Court.

The Federal Arbitration Act is -- enacted pursuant to authority under the commerce clause provides, quote, "A

written provision in a contract evidencing a transaction involving commerce to settle by arbitration a controversy thereafter arising out of such a contract or transaction, or the refusal to perform the whole or any part thereof, or an agreement in writing to submit to arbitration an existing controversy arising out of such contract, transaction, or refusal, shall be valid, irrevocable, and enforceable, save upon such grounds as exist at law or in equity for the revocation of any contract," close quote, 9 U.S.C. § 2.

In the Sixth Circuit once an arbitration is conducted under a valid contract -- arbitration contract, which I think everybody agrees is the case here, the FAA provides the exclusive remedy for challenging acts that taint an arbitration award. See Decker v. Merrill Lynch, 205 F.3d 906, at 909, a 2000 Sixth Circuit case which quotes the Corey case noted by Ms. Paglia, Corey v. New York Stock Exchange, 691 F.2d 1205, at 1212, a 1982 Sixth Circuit case.

Here, the parties' insurance policy is a written contract that, quote, "evidences a transaction involving commerce," close quote. Both statutory requirements being met, my holding is that the FAA controls this action.

And there are other district courts that have found FCIC insurance contracts subject to the FAA:

Great American Insurance Company v. Moye, 733 F. Supp. 2d 1298, at 1302, from the Middle District of Florida

from 2010.

In re 2000 Sugar Beet Crop Insurance Litigation, 228 F.Supp.2d 992, at 995 from the Middle District of Alabama in 2002.

And Nobles v. Rural Community Insurance Services, 122 F.Supp.2d 1290, from the District of Minnesota in 2002 [sic].

Then the question becomes whether the petition should be dismissed as untimely and whether the amendment, the proposed amendment, would make a difference in that regard.

In its written submissions, the Respondent made, essentially, two arguments that we discussed when Ms. Paglia argued.

First, that relying on the *Corey* case, the petition should be dismissed because it was untimely; an untimely motion to vacate, modify, or correct the award as mandated by \$ 12 of the FAA, and here again I think it's important to note the specificity with which we are dealing with the FAA and its provisions involving timeliness.

The second argument that the Respondent makes is that the one-year time limitation in 20(b)(3) just reflects a one-year time limit to seek confirmation of an award provided by the FAA at 9 U.S.C. § 9. And it's -- I think it's easy to ride over that -- those specific provisions and what they provide in terms of periods of limitation. 20(b)(3) of the Common Crop Insurance Policy is consistent with and doesn't supercede the separate three-month jurisdictional time

requirement for motions to vacate, modify, or correct under the FAA.

It really seems to me that in drafting this legislation, the drafters were very mindful of what they were doing in setting forth a three-month limitation in which a disgruntled party could attack an award, and, on the other hand, a one-year limitation in which a party that was satisfied with an arbitration award could move to confirm it.

Now, Bachman argues and has argued that its proposed claim under the FAA is timely because the parties agreed to a one-year period for seeking judicial review, which then extended the three-month FAA filing period. And that argument's been made again here not only in Mr. Tallman's written submissions but also in argument.

My ruling is that the petition is properly dismissed because Bachman has forfeited their right to judicial review of the award. And, again, we have to really dot the I's and cross the T's when we rule on this. § 12 of the FAA requires that the notice of a motion to vacate, modify, or correct, that is attack an award, must be served on the adverse party or his attorney within three months after the award is filed or delivered. And there is no question that that is what Bachman seeks to do here; to attack the award.

The Sixth Circuit has held that, quote, "Failure to comply with the statutory precondition of timely service of

notice forfeits the right to judicial review of the award."

And that's the *Corey* case, 691 F.2d at 1212. The argument to the contrary fails because the FAA provides its exclusive remedies for seeking to nullify the arbitration award.

Brotherhood of Teamsters General Teamsters Local 406 v.

FiveCap, Inc., which was Judge Quist's case mentioned by

Mr. Tallman. And there Judge Quist did expressly indicate
that in FiveCap that neither party cited any case addressing
whether the three-month time limit in § 12 is jurisdictional
or merely a statute of limitations. He reached his conclusion
that the three-month time period could be extended in the
absence of any persuasive authority or argument to the
contrary.

Finally, I do agree with the Respondent, Pro Ag, that the time limitation provided for in 20(b)(3) of the CCIP does not alter the three-month time limitation in 9 U.S.C. § 12 but is consistent with the one-year time limit to seek judicial confirmation of an award under the FAA, and again emphasizing, to seek judicial confirmation.

Because both the original and proposed amended petitions are untimely under the FAA, Bachman's amendment would be futile, as I indicated earlier. Leave to amend is properly denied.

And the motion by Pro Ag to dismiss the petition is

An order and judgment will issue in due course. 1 granted. Is there anything further, Mr. Tallman? 2 3 MR. TALLMAN: No. Thank you, Your Honor. THE COURT: Thank you. Ms. Paglia? Thank you, Your Honor. 5 MS. PAGLIA: No. THE COURT: Thank you, both. We're adjourned. 6 THE CLERK: All rise, please. Court is adjourned. 7 (At 11:40 a.m., the matter was 8 concluded.) 9 10 11 REPORTER'S CERTIFICATE I, Melinda I. Dexter, Official Court Reporter for 12 the United States District Court for the Western District of 13 Michigan, appointed pursuant to the provisions of Title 28, 14 15 United States Code, Section 753, do hereby certify that the 16 foregoing is a full, true, and correct transcript of the proceedings had in the within entitled and numbered cause on 17 the date hereinbefore set forth; and I do further certify 18 19 that the foregoing transcript has been prepared by me or 20 under my direction. WITNESS my hand this date, August 3, 2021. 21 22 Melinda I. Dexter, CSR-4629, RMR, CRR 23 U.S. District Official Court Reporter 402 Federal Bldg 110 Michigan St NW 24 Grand Rapids, MI 49503 25